



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

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September 11, 1996

Connie Sheffer
Zions Bank
P.O. Box 249
Moab, Utah 84532

Re: Certificate of Deposit for San Rafael Energy, Inc., Snow Mine and Four Corners Mine, M/015/013 and M/015/014, Emery County, Utah

This is in regards to regulatory requirements of the mining statute and rules of the State of Utah, Division of Oil, Gas and Mining, governing the operations and reclamation of the Snow and Four Corners Mine, Permit Number M/015/013 and M/015/014 respectively, operated by San Rafael Energy, Inc.

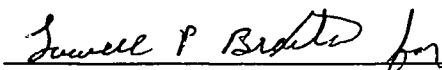
A Certificate of Deposit will be issued by Zions Bank for \$2,000 and be automatically renewable upon expiration. The Certificate should be made out in the name of the State of Utah, Division of Oil, Gas and Mining. The interest earned by the Certificate of Deposit for the first three months will be added back on to the Certificate of Deposit. After that, the interest earned will be dispersed quarterly and deposited into San Rafael Energy, Inc.'s account. If the Certificate is redeemed before the maturity date and the penalty reduces the face value of \$2,000, the State of Utah, Division of Oil, Gas and Mining will go to San Rafael Energy, Inc. for reimbursement of that loss. If redeemed after the maturity date, then \$2,000 will go to the State of Utah, Division of Oil, Gas and Mining and the remaining balance will go to San Rafael Energy, Inc.'s account. The Certificate of Deposit can only be redeemed by the State of Utah, Division of Oil, Gas and Mining.

If the statute or rules of the State of Utah, Division of Oil, Gas and Mining are violated with respect to the operation or reclamation of the Snow Mine and Four Corners Mine covered by this surety, the State of Utah, Division of Oil, Gas and Mining has the authority to call the Certificate on demand, for the full amount of \$2,000. Any loss due to an early redemption penalty will be the responsibility of San Rafael Energy, Inc. and will not be the expense or responsibility of the State of Utah.

The Division Director's signature, James W. Carter (or the appropriate Division Director at that time), will be required to call the Certificate or release said funds back to San Rafael Energy, Inc.

Zions Bank will not be held liable for any dispute between the parties. These rules pertain to the Certificate of Deposit Number: _____

Agreed upon by:


James W. Carter, Director,
Division of Oil, Gas and Mining

Gary L. Jacobson, President
San Rafael Energy, Inc.

Tax I.D. Number: 87-6000545

Tax I.D. Number: _____

